



MINUTES

PROJECT DEVELOPMENT COMMITTEE MEETING

Thursday, August 13, 2020 – 2:30 PM

State Office Building, Authority Conference Room, 4th Floor
317 Washington Street, Watertown, New York

The Development Authority of the North Country Project Development Committee met in regular session at the State Office Building, Authority Conference Room, 4th Floor, 317 Washington Street, Watertown, New York on Thursday, August 13, 2020 at 2:30 pm.

Committee Members - Present

Alex MacKinnon, Chairman
Thomas Hefferon
James Hollenbeck
Margaret Murray

Committee Members - Absent

Other Board Members Present

Staff Present:

Carl Farone, Executive Director
Michelle Capone, Director, Regional Development Division
Angela Marra, Executive Assistant

Guests:

1. Chairman MacKinnon called the meeting to order at 2:29 PM. A. MacKinnon then turned the meeting over to M. Capone.
2. Loan Modifications –

M. Capone recommended the following three items to be approved:

351 E. Orvis Street, affordable housing in Massena has requested principal and interest deferment through the month of July.

Osceola Ski & Sport Resort in Lewis County has requested one month of additional principal and interest deferment for August, and then October through December to pay interest only. They are a startup business so they have yet to have any revenue since the closing on their loan.

Trailhead Resort in Essex County, a restaurant and glamping resort, has requested an additional three months of interest only from July through September.

A. MacKinnon stated he is ok with all of these.

M. Murray also stated that she is good with this too.

No committee members were opposed, meaning these modifications will move forward.

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3. M. Capone continued the meeting with a request for principal and interest deferment for one year by COR for the COR Property, also known as the Mercy property. In a recent letter to the Authority, COR stated that their retail portfolio has been significantly impacted by the Corona Virus. They have been paying the principal and interest on this loan with proceeds from retail. M. Capone stated that as discussed a number of times, there is nothing on that site generating revenue for them to pay those bills with. At this point COR further stated that the retailers in their shopping centers have been experiencing the impacts of the virus, which has lasted longer than was originally expected and may continue for at least the next year. Accordingly, COR is seeking a one year principal and interest moratorium. During that one year they are saying they would maintain the property as a developable site and would continue to pay real estate taxes. They would also like to encourage us to work with them to undertake an RFP process to help identify a developer who could acquire and develop the site. Given the current financial environment, this process could be lengthy, but COR would also continue to maintain the property for sale. M. Capone further stated that one of the things that Steve Haas recommended that if the Authority was going to consider one year principal and interest deferment, we should go back and request the additional mortgages on the six parcels that are not part of the original mortgage. While not substantial, they do add value to the overall marketability of the site as a whole. This would be an extension of the existing mortgage and provide some value in lieu of the income not being received if the principal and interest deferment is considered. Approximately \$72,000 would be lost in interest that is not accrued on the loan. This interest could be deferred and accrued either by lengthening the term of the loan or it balloons at the end and is added to the mortgage value.

A. MacKinnon asked if the amount was going to be added at the end, not forgiven or dropped. M Capone stated it can be done either way. For three months the Authority gave small businesses a principal and interest deferment and did not accrue the interest. For the months of April, May and June, all borrowers were given the option of no principal or interest payments with the interest not accruing to the loan and the principle was tacked on to the end of the loan. This response can be no and the interest is added to the principle, but this would increase the value of the loan by \$72,000.

A. MacKinnon asked if the other properties suggested were owned by COR. M. Capone replied that yes they are owned by COR, and are free and clear with no mortgages on them. A. MacKinnon asked if their value would then be used to secure this loan. M. Capone replied yes. She further stated if the committee was to consider the principal and interest deferment, she would suggest they ask for the additional mortgages which would exceed the \$72,000 lost in interest. A. MacKinnon further commented that he can see not collecting the money right now, but to say the money is being given away is not good as it is the tax payer's money. M. Capone stated that as of March following COR's last full payment their balance was \$1,858,081. If the interest is accrued, the mortgage increases to \$1,930,000. Following an appraisal of the properties, including those that are not currently part of the mortgage the value is only \$1,750,000 million, which means they will still be paying the Authority about \$180,000 difference.

C. Farone commented that trying to get the mortgage on those additional properties would be critical to preserve the whole site. It would be very advantageous for the Authority to have the mortgages on all of the parcels. Regarding the principal and interest deferment, he indicated that he does not like the thought of deferring interest,

but the \$74,000 that would be given up would be exceeded by the value of the mortgages and would result in the Authority getting adequate consideration for this transaction.

A. MacKinnon asked if there would be a problem with the Governor's Office's opinion regarding these activities. M. Capone responded that if the Authority were able to obtain consideration for the additional land we are getting value that will exceed what is given up. She further pointed out that we are all still operating within a COVID environment.

A. MacKinnon stated that he could go along with this if the Authority was able to secure mortgages on the other six parcels. M. Capone asked if the committee was in agreement that they would consider the one year principal and interest deferment with accruing no interest if they were able to secure all of the other mortgages. A. MacKinnon stated he agreed. M. Murray and J. Hollenbeck concurred. All attending committee members were in favor.

M. Capone further proposed a fallback plan of three months additional of no principal and interest, with the interest not accrued. This would be July, August, and September, and then interest only for October, November and December, leaving time to reevaluate after January 1st. If COR says the first deal is not possible, M. Capone will then propose this as the best they can do at this time. M. Murray, J. Hollenbeck, and A. MacKinnon stated they agreed with this, no committee members were opposed.

M. Capone added that the Authority would like to keep them as a partner because ultimately they own the property and the Authority holds the mortgage. COR does want to get out of this. The Authority wants them to get out of this arrangement, and ultimately wants to work with COR to identify developers that could potentially redevelop the site.

4. Housing -

M. Capone presented housing information to the committee, citing the strategic planning session last year where she discussed the changing atmosphere with providing housing programs to municipalities. In the past the Authority has provided services to Ogdensburg, Massena, Wilna, Gouverneur, and Tupper Lake in doing program delivery, project delivery and state and federal grant administration. St. Lawrence County Planning reached out to M. Capone over a year ago regarding problems they were having with the group that administers their county wide grants and asked at that time if the Authority would consider helping them. M. Capone stated that she initially responded that the Authority does not want to replace a county wide housing organization and would prefer them to figure out how to make everything work. Ultimately, assistance could be considered because the grant recipient is the county and they are on the hook for the money. M. Capone stated she has again heard from the county planner stating they are probably going to be issuing requests for proposals (RFP) for entities to deliver and administer their county housing grant programs. Right now the North Country Housing Council is doing this, and have had some significant issues over the past few years. M. Capone also noted that committee member A. MacKinnon was on their board.

M. Capone commented that she was aware that they have worked with Tom Plastino and Tom Sauter. She further stated that some of the problems are a capacity issue. Ultimately after she spoke with Jason Pfothauer, the Director of Community Planning, M. Capone thinks they will be putting the RFP out this fall. She stated that they only look at fulfilling

future contracts and not past contracts. The Housing Council can finish administering any contracts the county currently has. This should prevent having to bid out projects that are already started. She would prefer they get into something where the RFP awardee is coming in on the beginning of the project. A. MacKinnon noted this may have a detrimental impact on the housing council, but the Housing Council is welcome to respond to the RFP as well.

M. Capone commented that she wanted to address this at this meeting because it had been discussed at the Strategic Planning that she has a part-time position as a housing inspector in her current budget. This position did not need to be filled for the Gouverneur project because they were able to use their own code inspector. In communities where the existing capacity can be used, this works well, but there are certain communities where there will be a need for staff. She stated if the Authority were to respond to this RFP and get it, our capacity would need to grow to meet the demand. M. Capone stated she is very conscious to maximize efficiencies as much as possible until we are at the point where we need to add staff, or where there would be enough revenue to add another person. M. Capone further stated she has been pacing applying for grants, whereas there are currently two applications submitted with the state. St. Lawrence County would be a much bigger scale. The division would need to get to a scale where they may be adding staff in the future. This is not being requested today, but wanted the committee to be aware that if a response is sent to this RFP and we continue to move in this direction we may need additional staff. As always, there will be no response sent to this RFP until it can be done and done well.

A. MacKinnon stated that the Housing Council in S. Lawrence County has had a history of difficult times. In A. MacKinnon's opinion their biggest problem is administration and how the whole organization was administered. He feels uncertain they could attract the kind of people you would have to attract with the experience base to administer this program successfully. A. MacKinnon further stated that the Authority could provide this kind of management due to experience in grant management. He also stated that a developer could come through and take it over in its entirety while phasing out the Housing Council. He also stated that it could be considered later on if any of the staff would become part of the Authority. A. MacKinnon feels it would be in the best interest of St. Lawrence County to see this change. M. Capone stated that she had told St. Lawrence County at the time that the Authority could not bail out the Housing Council, meaning we could not take on their staff. That being said, in the future there may be a need for some capacity. Economy of scale is also the other piece of this where the number of employees can only be sustained if more grants are brought on. These grants need to be managed effectively. St. Lawrence County cannot be taken on, and then ignore Ogdensburg, Massena, Wilna and all the others. If this is the road chosen, there will be growing pains but it is the best opportunity to jump in with both feet and take this housing program to the next level.

A. MacKinnon commented that it would be easier for the Authority to look at this as an expansion of service. M. Capone agreed in that they have been doing it piecemeal and it has worked. However this would be going to another level, and for that they will have to put together a formal structure. A. MacKinnon stated that he would like the Authority to take a hard look at the cost, understanding much of this will be speculation, but would like to see a kind of business plan worked out ahead of time before we jump into anything. M. Capone agreed to do that. J. Hollenbeck agreed. M. Murray agreed and stated that she feels A. MacKinnon knows more about this so she is looking to him and feels he has good

recommendations. M. Capone confirmed that C. Farone had asked for the same thing, so everyone seemed to be on the same path.

C. Farone stated that part of this is understanding what St. Lawrence County is going to put out to RFP because they have yet to state exactly what they will be looking for. As M. Capone said, St. Lawrence County has their own grant writers. The Authority needs to be in communications with them so they are not writing too many grants for us to be able to implement. This will take teamwork and communication. M. Capone added that with this type of work, there is only a certain amount of administrative money to get. Within CDBG there is the most administrative money at about 18%, and that would be shared with the county. There is not as much within the HOME program, and then AHC would be the least amount. This becomes a balancing act with what types of grants you might have and how much you think you might get in administrative fees. Even knowing how much you have available for labor and how many hours it will take, you need to play with the numbers to figure out how this can be affordable. It is not very lucrative and this is why the housing agencies are going out of business. A. MacKinnon agreed stating this is why everything would need to be carefully reviewed so there are minimal surprises.

5. 2006 Agreement with Jefferson County -

M. Capone stated that in 2006, \$1 million dollars was provided to the Authority to help capitalize the first phase of the Community Rental Housing Program (CRHP). In 2006 there was a deficit of rental housing units in the Greater Watertown/Fort Drum housing market. The Authority received \$7.5 million from New York State, \$1 million from Jefferson County, and \$500,000 of Authority funds to capitalize a \$9 million Community Rental Housing Program. Additional money was received in 2009 or 2010 to fund a second phase of the CRHP with \$4 million from New York State, \$400,000 from Jefferson County, and \$560,000 from the Authority. Between these two phases 1870 new units of rental housing were created. The total investment in these projects was over \$246 million. The most recent housing study was completed by the Army concluded there to be sufficient rental housing in the area to meet current soldier and family needs. The goals and objectives of the CRHP had been met. Since then the Authority has made a total of 11 loans with total funding with CRHP at \$18,485,000 with projects totaling over \$250 million.

Recently, due to COVID, Jefferson County has asked if they could get their \$1 million back. In looking at the repayment terms, this would be the termination of this agreement. Upon any termination or discontinuance of their revolving loan fund, the Authority shall pay the county from monies of the fund. The Community Rental Housing Program loan committee was discontinued back in 2017. There is currently \$6,059,841 in cash in the CRHP. Much of this comes from repayments from the Eagle Ridge housing project and Preserve at Autumn Ridge, as well as Clayton Improvement Association. We would recommend at this point that the original intent of the CRHP has been met, that the oversight committee is dissolved, and the funds are available. When these funds are returned back to Jefferson County there are still sufficient funds available to meet future loans from the Community Rental Housing Program. Given the fiscal stress on municipalities due to COVID-19, we recommend returning the \$1 million to Jefferson County at this time from the Community Rental Housing Program, and this would be put forward as a resolution at the next Board meeting based upon the committee's recommendation.

A. MacKinnon asked if the cash was in this fund, not in the general development fund. M. Capone responded that this money is in the fund, and this will help in cleaning up the books. Given the COVID situation on municipalities, and that they have come to us and asked for repayment, and also that the intent of the Community Rental Housing Program has been met, the cash is available without hurting the ability to make future loans. It is a good faith effort on the Authority's part to assist them.

C. Farone stated that he asked M. Capone if the state grant funding predicated on the Authority and County putting in money to which she replied no. There is no tie between the state money and the county monies. There would be no issue there. Conversations between Bob Hagemann and Jim Wright had commenced prior to J. Wright's retirement with the understanding that the CRHP does have the funds available, the needs have been met, and because of COVID they would have been asking for the money anyway. As per the agreement in place the Authority could say no, but C. Farone feels it is the right thing to do. C. Farone mentioned a worst case scenario is the potential that the state could see this money being returned and in turn ask for theirs back as well. There is \$6 million in cash in this account and there are currently no commitments on these funds. C. Farone continued that being said, he believes returning the money is the right thing to do for the county, seeing that they provided the money when the Authority needed it, and there is no current need for this funding.

M. Capone pointed out that the resolution would also increase the grant expense in the Community Rental Housing Programming by \$1 million because this would be written out as an expense to the Authority. There is also still a second agreement with Jefferson County for \$400,000 that was signed in 2010. M. Capone does not recommend repaying this money at this point in time as this money went into Beaver Meadows and there is still a project development agreement with Jefferson County and the city school district on that which will expire in five years. M. Capone recommended not repaying the \$400,000 until the agreement expires and all payments have been made.

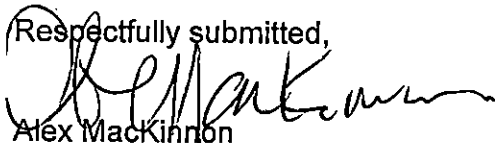
A. MacKinnon and M. Murray agreed with this plan.

No committee members were opposed, meaning this will move forward.

M. Capone said there will be a resolution on this at the next board Meeting. She further explained this will be the only item of business that this committee will have at the Board Meeting.

Upon a motion by M. Murray, and seconded by J. Hollenbeck, the meeting was adjourned at 3:05 PM.

Respectfully submitted,



Alex MacKinnon
Chairman, Project Development Committee